Contemporary Journal on Business and Accounting (CjBA)
*Vol. **5** No. **2** (Oktober) 2025, Page **40-61***

Indonesia Sovereign Wealth Fund and Accountability State Wealth Management: The Relevance of External Audit by the Office Public Accountant or Constitutional Audit by the State-Audit Board

Afriansyah Tanjung[1]
Agniya Thahira[2]
Maela Khoirul Ummah[3]
Universitas Siber Muhammadiyah[1,2,3]

Received 10 September 2025
Revised 20 September 2025
Accepted 30 September 2025

[1]*E-mail: tanjung.afriansyah@sibermu.ac.id* |[2]*E-mail: agniya@sibermu.ac.id* |[1]*Correspondence Author*

ABSTRACT

Purpose – This study explores the accountability framework of Indonesia's Sovereign Wealth Fund (SWF), known as the Lembaga Pengelola Investasi (LPI) or Indonesia Investment Authority (INA), focusing on the legal and institutional mechanisms that ensure its transparent and professional operation.

Design/methodology/approach – The research addresses concerns over the management of public wealth derived from the state budget and other state assets, emphasizing the relevance of dual oversight by the Audit Board of Indonesia (BPK) and Public Accounting Firms (KAP). Using a qualitative, library-based research methodology with conceptual and statute-based approaches, the study draws on legal statutes, academic literature, and international case studies—particularly Norway's GPFG and Singapore's Temasek Holdings.

Findings – The Findings highlight that dual-audit mechanisms are both constitutionally mandated and functionally complementary: BPK ensures public accountability and legal compliance, while KAP provides internationally credible financial assurance to investors.

Originality – The study identifies governance risks drawn from past corruption in State-Owned Enterprises (BUMN) and proposes a dual-audit framework as a safeguard against similar failures. It contributes to the legal and public finance discourse by providing a normative and empirical justification for multi-layered oversight in managing Indonesia's strategic public investments.

Keywords: *INA, BPK, Public Accounting Firms, Dual-Audit Mechanism*.
Paper Type Research Result

Contemporary Journal on Business and Accounting
© Institut Transparansi dan Akuntabilitas Publik (INSPIRING)

INTRODUCTION

The Sovereign Wealth Fund (SWF) in Indonesia, known as the Investment Management Institution (LPI), is closely related to the need to increase and manage the country's wealth in the form of sustainable investments. Indonesia, as a country with great economic potential, faces various challenges in infrastructure funding and investment that need to be overcome in order to create more equitable welfare for the community. LPI was formed to bridge the funding shortage by utilizing existing state assets to attract domestic and foreign investment (Budiman & Amyar, 2021).

The establishment of LPI has a strong legal basis, namely Law Number 11 of 2020 concerning Job Creation, especially in articles that regulate government Investment management. The regulation was then strengthened by Government Regulation Number 74 of 2020 concerning Investment Management Institutions, which details the institutional structure, authority, funding sources, as well as LPI's governance and accountability mechanisms. In addition, Presidential Regulation Number 128 of 2021 concerning the LPI Steering Board establishes a supervisory structure involving elements of the government and independent professionals to maintain integrity and national interests in LPI's operations (Johannes, 2020).

The need for adequate infrastructure is one of the main factors behind the establishment of LPI. National development agenda, many infrastructure projects require large funds that often cannot be met with government budgets alone. Therefore, by establishing an efficient and transparent SWF like LPI, the government hopes to mobilize funds from various sources, including foreign investment, for strategic and economically potential projects. This approach is also in line with the practice of a number of other countries that have been successful in managing their SWFs, which have proven effective in supporting economic growth (Michael & Sudini, 2021).

In addition, the formation of LPI was driven by the need to increase the competitiveness of Indonesian investors in the global market. LPI is expected to function not only as a manager of state wealth, but also as a strategic partner in investment, bringing managerial expertise and capabilities into infrastructure projects. In this regard, the use of the SWF model that has been successful in other countries provides valuable lessons on transparency, accountability, and managerial expertise in investment management (Peningkatan et al., 2022).

Another factor underlying the formation of LPI is Indonesia's desire to mitigate the impact of global economic fluctuations. By having a SWF, Indonesia can manage the country's foreign exchange reserves and wealth more efficiently, allowing flexibility in the face of global economic uncertainty. This is very important considering that Indonesia is a country that is vulnerable to changes in international economic conditions, both in terms of commodities and capital flows.

In addition, the principles applied in the management of LPIs are designed to ensure that investments are made in a responsible and sustainable manner. LPI is

expected to follow the good practices set out in the Santiago Principles, which emphasize the importance of transparency and accountability in the management of public funds. The application of these principles is expected to build public and investor trust in the management of the country's wealth (Johannes, 2020).

Overall, the establishment of SWFs such as LPI is a strategic step to encourage inclusive and sustainable growth in Indonesia. Through effective and efficient management, it is hoped that LPI will be able to attract the funds needed for infrastructure development, strengthen competitiveness, and improve community welfare. Thus, the presence of LPI as a manager of state wealth is expected to mark a new era in investment and national economic development (Monk, 2011).

As an institution responsible for large amounts of investment, LPI must undergo a routine and independent audit process. This principle of transparency is in line with the Santiago Principles, which are designed to ensure the SWF operates as an extra-prudent and accountable entity. Clarke emphasized that institutions such as LPI need to be separated from political influence to avoid conflicts of interest that can be detrimental to investment objectives(Clarke, 2016). In this case, regular audits can help identify and prevent unethical actions.

Strong oversight mechanisms are also needed to ensure that investments made through LPIs do not only focus on financial gains, but also consider social and environmental impacts. This is important, considering that LPI is expected to facilitate infrastructure projects that have a wide impact.

In many countries with well-established SWFs, audit and oversight mechanisms have proven effective in maintaining the integrity and public trust in the use of public funds. For example, the SWF in Norway, known as the Government Pension Fund Global, undergoes rigorous and transparent audits (Caner & Grennes, 2010). that allow the public to be informed about its investment decisions (Caner & Grennes, 2010). In addition, research by Affuso et al. shows a positive correlation between transparency in SWF management and economic growth, confirming that adequate oversight can improve the effectiveness of fund management (Affuso et al., 2022).

The application of technology can also increase accountability in the management of LPI. The use of digital-based reporting systems and the application of blockchain technology to document transactions can strengthen data integrity and aid in tracking the flow of funds usage. This is very important to reduce the likelihood of corruption and simplify the reporting process to the public (Lenihan, 2014).

Strong oversight must include stakeholders, both from within the government and the community. Civil society involvement in oversight and auditing can also create a better culture of transparency and accountability, given that the success of LPIs is highly dependent on public trust(Truman, 2009). As such, external audits and transparent reports should be an integral part of LPI's operations to ensure that the institution can fulfill its mission of managing and investing the country's wealth in the most beneficial way for the Indonesian people.

When LPI begins operations with significant capital attraction, strict oversight and transparent audits will help ensure that the strategic objectives of the institution are not only achieved, but also handled with high integrity. This will ensure that LPI can become a model for the management of state wealth in the future, in line with the government's goal to improve the quality of life of the community through sustainable investment.

The participation or transfer of capital from the state for the establishment of an Investment Management Institution (LPI) is part of the separated state wealth. In the context of state finance, state wealth is not only in the form of a direct budget in the state budget, but also includes assets or capital that are transferred to certain bodies or institutions to be managed independently, including in the form of state capital participation (PMN). In this case, the initial capital for the establishment of LPI which is sourced from the State Budget and/or other state assets is state wealth that is legally still within the scope of state financial management, even though it has been separated from the state general treasury.

The separation is administrative and aims to enable entities such as LPI to carry out their functions flexibly and professionally as a business entity should, especially in attracting strategic partners and making investments. However, the status of wealth must still be considered part of state finances, considering that the source comes from public funds and has consequences of accountability to the public. Therefore, the transfer or participation of state capital into LPI does not eliminate the public nature of the wealth, and remains under the supervision and scope of audit by state supervisory institutions such as the Audit Board (BPK).

Thus, every form of utilization, management, and investment results of state wealth that has been included in LPI must meet the principles of transparency, accountability, and compliance with applicable laws and regulations. This is the normative and legal basis to ensure that the state wealth used to form the LPI is managed responsibly for the prosperity of the people and sustainable national development.

LITERATURE REVIEW

Related Work

Numerous studies have explored the role and governance of Sovereign Wealth Funds (SWFs), particularly in resource-rich and developing countries. SWFs are widely recognized as stabilizing mechanisms for economies subject to revenue volatility, especially those reliant on commodity exports (Kitano & Takaku, 2023) (Kitano & Takaku, 2023). Gunawan et al. (2024) emphasizes the strategic importance of SWFs for long-term financial and macroeconomic stability, noting how they enable countries to manage funds independently and professionally(Gunawan et al., 2024). A comparative analysis between Indonesia's LPI and SWFs in countries like Norway and Singapore highlights the gap in governance and regulatory compliance (Gunawan et al., 2024). Similarly, Černohorský & Tesnerová (2021) advocate for the professionalization of SWF

management and stress the risks of excessive political interference(Černohorský & Tesnerová, 2021). Halim (2021) supports adapting international governance models to Indonesia's unique legal and institutional context (Halim, 2021), while Affuso et al. (2022) and Mujahidah (2024) underline the broader economic impacts of SWFs through strategic investments in infrastructure and public goods(Affuso et al., 2022).

Bernstein et al. (2013)(Bernstein et al., 2013), Clark & Knight (2010) (Clark & Knight, 2010), and Altuve (2023) raise important concerns about politicization and weak oversight in SWFs (Bonaventura Altuve, 2023). These risks, if unchecked, can lead to suboptimal long-term outcomes. Experiences from Norway (Caner & Grennes, 2010) and the Gulf countries offer valuable insights into the importance of transparency, accountability, and citizen engagement(Caner & Grennes, 2010). Furthermore, ESG integration in SWF investment strategies is increasingly emphasized as a global best practice (Cavagnetto et al., 2022)for aligning national development goals with sustainable investment(Bahoo et al., 2020).

In the Indonesian context, corruption trends within BUMN—with 212 corruption cases from 2016 to 2023, resulting in a state loss of approximately Rp64 trillion (ICW, 2024)—highlight the urgent need for robust oversight in institutions managing public assets. These systemic governance failures serve as a cautionary example for LPI, which shares institutional features with BUMNs and operates under similar risk exposure (ICW, 2025)

Research Gap

Despite the breadth of literature on the importance of governance, professionalism, and transparency in SWFs, limited studies have directly assessed the dual-audit structure (BPK and KAP) as a mechanism for ensuring LPI's accountability. Most existing analyses emphasize macroeconomic and comparative dimensions but lack focus on Indonesia's legal architecture and the effectiveness of its oversight mechanisms as codified in Law No. 6 of 2023, Law No. 15 of 2006, and related statutes.

Moreover, while international studies advocate for the separation of political influence and investment decisions, there is a gap in exploring how Indonesia's legal mandates (e.g., Article 161 of Law No. 6/2023) operationalize these ideals in practice. There is also a paucity of empirical evaluation on how dual auditing—by the constitutional body BPK and the independent Public Accounting Firms (KAP)—can complement one another in achieving good governance and fraud prevention, especially in a context where past governance failures (e.g., in BUMN) demonstrate systemic risk. Therefore, this study aims to fill that gap by: Examining the legal and functional relevance of BPK and KAP in supervising LPI; and evaluating how the dual-audit structure can be optimized to prevent governance failures similar to those experienced in BUMN.

RESEARCH METHODOLOGY

This research uses the library research method, which is an approach that emphasizes searching, collecting, and analyzing data sourced from library materials as the main data. In this case, the data used is secondary data, but is the main source of analysis in this study. The data includes laws and regulations, previous research results, official reports from state institutions, and scientific publications (Muhammad, 2004).

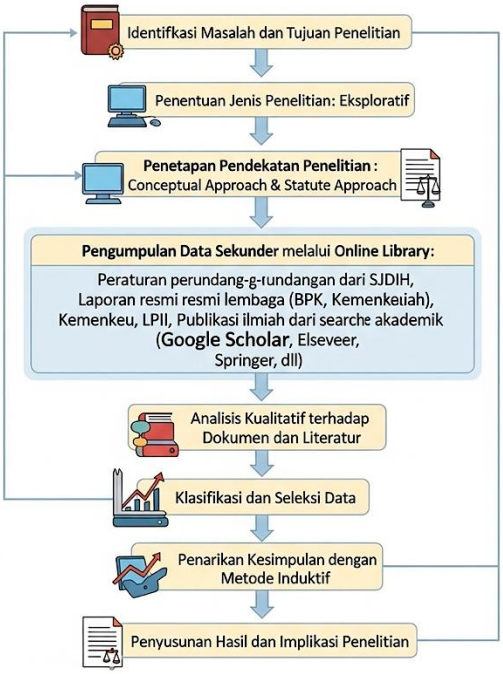

Figure 1 - Research Methods

The approaches used in this study are conceptual *approach* and statute *approach*. The conceptual approach is used to examine and build a framework of thinking based on legal and public economic concepts relevant to the management of state wealth and its accountability mechanisms. Meanwhile, the statute approach is used to examine applicable legal norms, especially laws and regulations governing state finance, public audits, and state investment management institutions (Atikah, 2022).

This type of research is exploratory, as it aims to explore, understand, and interpret in depth legal and policy phenomena that are relatively new or have not been widely researched (Budianto, 2022), especially related to the legal position of the Investment Management Institution (LPI) in the state financial system and its supervisory mechanisms.

All data is obtained through access to legal digital (online) literature that is open to the public. Sources of laws and regulations are collected through the Legal Documentation and Information Network System (JDIH), especially from sjdih.bpk.go.id websites, as well as from JDIH ministries and other institutions.

Official reports are obtained from the websites of state institutions, such as the Financial Audit Agency (BPK), the Ministry of Finance, and the Investment Management Agency itself. Meanwhile, scientific publication data is obtained through scientific search engines such as Google Scholar, as well as from publishers of academic journals with national and international reputations.

The analysis technique used is qualitative analysis, with an inductive thinking method, which is to draw general conclusions based on the study of the facts, normative data, and empirical information collected. This analysis is carried out by systematically examining the content of the document, identifying important themes, and interpreting the relevance between sources to then synthesize them into conclusions that can be scientifically accounted for (Arliman S, 2018).

RESULT AND DISCUSSION

Result

BPK auditors aim to ensure that the audited financial statements reflect the actual conditions and are in accordance with applicable regulations. Audit findings from BPK can consist of material and immaterial findings that have a significant impact on the state's financial statements. This shows that the BPK has broad authority to audit entities that receive public funds, including those operating in the context of sustainability such as SWF (Sakinah Damanik & Widiastuti, 2024). In the context of SWF, these institutions are managed with sustainable investment objectives, which means that there is a flow of funds from public sources. Therefore, as a body that manages state money, SWF should be under the supervision of the BPK. Research shows that audits by the CPC can help reduce corruption and increase accountability in the management of public finances (Budiman & Amyar, 2021).

Meanwhile, KAP also has an important role in auditing financial statements, although their primary focus is more on private entities. KAP may be hired to conduct audits of SWF's financial statements, especially if the institution operates in a capacity that involves private investment transactions or is the subject of an audit by a third party. The quality of audits conducted by KAP can be influenced by the size of the firm, the competence of the auditors, and also by the existing audit committee (Hidayah et al., 2021).

However, the KAP's audit power does not automatically reach the scope of the audit that must be carried out by the BPK. BPK is an independent institution that specializes in supervising state finances and has a broad role in auditing the financial statements of public fund managers (Setyaningrum et al., 2013). Although SWFs can be audited by the KAP, the main audit and supervision of the institution remains under the authority of the BPK.

Existing regulations also stipulate that KAP does not have the authority to audit government agencies without oversight from the BPK, which ensures the accountability and transparency of state finances (Putra & Sugimin, 2024).

Although the SWF may be audited by the KAP as part of the commercial bond, the final audit report and the decision on the integrity of such financial statements will be the responsibility of the BPK (Kaldera et al., 2020).

In a broader context, cooperation between KAP and BPK is also possible, where KAP may conduct a preliminary audit and BPK will evaluate the results in the context of public financial management. Thus, the role and authority of each institution in the audit is guaranteed and transparent (HAMONANGAN al., 2023).

For comparison, there are several types of similar businesses such as in Singapore and Norway, Sovereign Wealth Funds (SWFs) in Singapore and Norway are important examples of transparent and sustainable management of state wealth (Caner & Grennes, 2010). Each country has built a strong foundation for its SWF audits and accountability, reflecting different managerial cultures and practices. Basically, SWFs rely on the principles of transparency, accountability, and good governance to ensure that such investments provide long-term benefits to their respective countries (Caner & Grennes, 2010).

Singapore is known through Temasek Holdings as a leading SWF. Temasek Holdings, as an investment body owned by the Government of Singapore, adopts the principles of prudent and sustainable management. In carrying out audits, Temasek follows strict guidelines and has made transparency the main pillar of its operations. Regularly published annual reports include comprehensive information on investment performance as well as commitment to environmental and social principles (Heaney et al., 2011).

Internal and external auditors collaborate to ensure Temasek's financial clarity and health. For example, the auditor conducts an in-depth evaluation of the investment portfolio, identifies potential risks, and ensures that all transactions are carried out in accordance with applicable laws. This creates scope to increase public trust and prevent potential fraud in investment management (Bonini & Capizzi, 2019).

In addition, in its annual report, Temasek also disclosed the performance and social impact metrics of its investments, thereby increasing accountability to stakeholders (Balin, 2010). This is in line with a global trend where SWFs are expected to not only focus on financial outcomes, but also take into account the social and environmental impacts of their investments(Ainina & Mohan, 2010).

Norway, on the other hand, has a Global Government Pension Fund (GPFG) also known as the Oil Fund, which is one of the largest SWFs in the world. GPFG has a very transparent and comprehensive approach to audits (Caner & Grennes, 2010). The annual report published by Norges Bank Investment Management (NBIM) includes a detailed analysis of the fund's performance as well as investment decisions taken throughout the year (Bortolotti et al., 2011).

Norges Bank is responsible for managing and auditing the GPFG, and they implement international standards in terms of accountability and reporting (Černohorský & Tesnerová, 2021). This includes regular audits by independent

auditors to assess the reliability of financial statements and compliance with applicable regulations (Affuso et al., 2022).

Public involvement in the management and audit of GPFG is highly emphasized. Norway often involves stakeholders and the public in the decision-making process, thus creating an inclusive audit environment (Monk, 2011). In addition, GPFG is also committed to sustainability principles, ensuring that investments reflect significant environmental and social considerations (Velayutham & Hasan, 2021).

While both Singapore and Norway have well-managed SWFs and strong audit principles, there are some key notable differences (Caner & Grennes, 2010). First, Temasek Holdings is more focused on value creation through investments in the private sector and emerging companies, while GPFG has a more conservative approach, investing broadly in international stock markets and bonds as a form of long-term risk management in the face of oil price fluctuations (Bortolotti et al., 2011).

Second, transparency and public engagement run in different contexts. Singapore has a more autonomous audit mechanism, where Temasek Holdings adopts a model that prioritizes efficiency and the limitation of political influence (Cavagnetto et al., 2022). On the other hand, Norway is more open to public audits and actively involves the public in oversight, thus giving greater social legitimacy to decision-making within the GPFG (Černohorský & Tesnerová, 2021).

Third, risk management practices in the two SWFs also reflect the economic culture of each country. Norway, with its vast wealth of oil products, has a responsibility to not only manage that wealth but also to distribute it fairly to future generations. Singapore, as a smaller country, is focusing on innovation and sustainability in investments to sustain its growth and diversify its portfolio in potentially profitable sectors(Ainina & Mohan, 2010).

SWF audits in Singapore and Norway show that although they are sometimes tied to different norms and practices, both countries have managed to create oversight systems that pay attention to both finance and social responsibility. Transparent audits not only provide assurance that investments are well managed, but also create greater social contributions to society. With rapid global developments, new challenges and innovations in SWF audits will continue to emerge, so that these two countries, which have become exemplary countries, are expected to continue to adapt and maintain their good reputation in the international market.

Table 1. Comparison table between two state investment fund management institutions

Aspects	Temasek Holdings (Singapore)	GPFG – Government Pension Fund Global (Norway)
Legal Form	A government-owned investment company (wholly owned by the Ministry of Finance), but operates as an independent commercial entity	State funds managed by Norges Bank through the Norges Bank Investment Management (NBIM) unit
Source of Funds	Singapore SOE dividends, investment gains and strategic assets	Surplus revenues from oil and natural gas exports, channeled through the Norwegian government
Investment Objectives	Creating long-term growth and economic value for Singapore	Safeguarding and growing the country's wealth for future generations
Investment Focus	Active investment in private companies and strategic sectors	Highly diversified global portfolio across stocks, bonds and properties
Audit Approach	Internal and external audits; is not routinely audited by the Auditor-General, but can be audited in the event of suspicion of fraud/misconduct	Audited by independent auditors and supervised by Norges Bank and the Parliamentary Oversight Committee
Transparency	Submit comprehensive annual reports, but are not fully open to public audit.	Highly transparent: annual reports, investment ethics reports, ESG reports, all open to the public and parliament
Public Engagement	Limited; Investment decisions are made professionally by the management and the board	Very high; Norwegian society and parliament are actively involved in monitoring and evaluation
Social and Environmental Responsibility (ESG)	The report contains a commitment to sustainability, social and environmental impact described in the company's value framework	ESG is a key principle; GPFG avoids investing in companies that violate ethics or have a negative impact on the environment

Governance Model	Professional and autonomous governance, separate from politics, but still supervised by the Ministry of Finance	Governance that integrates state control through Norges Bank and parliamentary oversight
Political Linkages	Minimal political interference, operating as a pure corporation	Under state control, however, investment decisions are based on professionalism and a code of ethics
Risk Strategy	Bold and aggressive, looking for medium-long term opportunities in emerging sectors	Conservative and prudent, maintaining long-term stability in the face of global market risks
Social Legitimacy	Building public trust through performance and limited openness	High legitimacy due to public involvement and parliamentary accountability
Global Influence	Active in strategic global sectors and emerging markets	One of the largest institutional shareholders in the global market, including ESG influence
Social Purpose	Driving innovation and resilience of Singapore's national economy	Ensuring the multigenerational well-being of Norwegians through national savings

Indonesia context, to determine the most legally and functionally relevant institution to conduct audits of Indonesia's Sovereign Wealth Fund—Lembaga Pengelola Investasi (LPI) or Indonesia Investment Authority (INA)—it is essential to consider both legal mandates and functional governance practices. From the legal perspective, the Audit Board of Indonesia (Badan Pemeriksa Keuangan or BPK) holds the constitutional and statutory authority to audit the management and accountability of state finances(Putra & Sugimin, 2024). This authority is based on Article 23E of the 1945 Constitution and is elaborated in Law No. 15 of 2006 on BPK and Law No. 17 of 2003 on State Finance, which state that BPK has the mandate to audit all entities managing state funds, including those managing separated state assets. Since LPI receives capital from the State Budget (APBN) and manages national wealth in the form of investments, it clearly falls within BPK's jurisdiction. As such, BPK is the most legally authoritative body to oversee LPI's public accountability (Warih, 2018).

However, recent developments in the legal framework also highlight the role of Public Accounting Firms (Kantor Akuntan Publik or KAP). Based on Article 161

of Law No. 6 of 2023—which formally enacted Government Regulation in Lieu of Law (Perppu) No. 2 of 2022 on Job Creation—it is explicitly stated that: *"Pemeriksaan pengelolaan dan tanggung jawab keuangan Lembaga dilakukan oleh akuntan publik yang terdaftar pada Badan Pemeriksa Keuangan dan Otoritas Jasa Keuangan."*

This provision affirms that the financial and managerial accountability of institutions such as LPI must be audited by public accountants registered with both BPK and the Financial Services Authority (OJK). Furthermore, the explanation of Article 161 clarifies that such audits must adhere to internationally recognized accounting standards, which apply to legal entities managing investments of a similar nature. This reinforces the requirement that LPI's financial audits follow global best practices, thus aligning with international investor expectations.

From a functional governance perspective, KAP plays a vital role in ensuring financial transparency, credibility, and compliance with standards expected by global investment partners (Wijaya & Azmy, 2023). As LPI operates within a commercial co-investment structure and engages with institutional investors, the use of independent public accountants ensures that its financial statements are reliable and professionally verified. This is essential for building investor trust and ensuring the legitimacy of investment activities. BPK provides constitutional and public oversight to ensure accountability in the use of state assets, and KAP delivers professional, internationally benchmarked assurance as mandated by Law No. 6 of 2023, fulfilling both regulatory and market expectations.

The necessity for dual oversight mechanisms over Indonesia's Sovereign Wealth Fund—Lembaga Pengelola Investasi (LPI)—cannot be overstated. While LPI is designed as an independent and professionally managed institution, its strategic position as a manager of public wealth sourced from the state budget demands a robust system of checks and balances. This is particularly crucial in light of Indonesia's past experiences with public sector institutions, notably State-Owned Enterprises (BUMN), which share structural and operational similarities with LPI in terms of managing state assets and engaging in commercial activities.

Public concern over the potential for corruption in institutions like LPI is valid and grounded in empirical evidence. According to data compiled by Indonesia Corruption Watch (ICW), from 2016 to 2023, there were at least 212 recorded corruption cases within BUMN that were investigated and prosecuted by law enforcement agencies. These cases resulted in an estimated state loss of Rp64 trillion, a staggering figure that reflects deep-rooted vulnerabilities in the governance of state-owned business entities. More troubling is the scale of individual accountability, with 349 BUMN officials having been named as corruption suspects. Among them, 84 were directors, 124 were mid-level managers, and 129 were employees, indicating that corruption is not isolated to top leadership but is structurally embedded across levels of management(ICW, 2025).

This historical pattern reveals the dangers of weak internal controls, inadequate oversight, and opaque financial practices in entities managing large volumes of public funds. Without rigorous external audits and a framework of public accountability, there is a significant risk that LPI could follow a similar trajectory, especially given its independence from traditional bureaucratic control and its access to massive capital investments.

Thus, the implementation of dual auditing mechanisms—by the Badan Pemeriksa Keuangan (BPK) and registered independent Public Accounting Firms (KAP)—is not merely a procedural requirement but a critical safeguard. BPK, as the constitutional guardian of public finance, ensures that the use of state funds adheres to national laws and accountability principles. Meanwhile, KAP provides internationally benchmarked financial scrutiny, which is essential for maintaining investor trust and aligning with global standards of sovereign wealth fund governance.

Table 2. Comparative table comparing two audit institutions in Indonesia

Aspect	Audit Board of Indonesia (BPK)	Public Accounting Firm (KAP)	Relevance to Supervising LPI
Legal Basis	1945 Constitution; Article 23E; Law No. 15 of 2006 on BPK; Law No. 17 of 2003	1. Law No. 6 of 2023 (Art. 161); 2. Law No. 11 of 2020 (Cipta Kerja)	Both institutions are explicitly granted legal authority to audit LPI, making their supervision constitutionally and statutorily grounded.
Status	State constitutional audit institution	Independent private audit entity registered with BPK and OJK	BPK ensures state financial control; KAP ensures financial transparency in line with private-sector and international standards(Pradana Adiputra et al., 2018) .
Mandate Scope	Audits all public institutions managing state assets or budgets	Audits financial statements of LPI as part of corporate accountability	BPK focuses on state accountability, KAP on corporate-level financial reliability, covering different but complementary oversight domains.
Audit Type	Financial Audit; Performance Audit;	Annual Financial Audit	BPK evaluates effectiveness and compliance; KAP ensures accuracy of annual reports for stakeholders and investors.

	Specific Purpose Audit		
Focus of Examination	Effectiveness, efficiency, legality, and public accountability	Accuracy, fairness, and compliance with international financial reporting standards (IFRS)	Both evaluate LPI from different angles: public interest vs financial integrity and reputation (Peningkatan et al., 2022).
Reporting	To Parliament (DPR) and public	To LPI management and investors	BPK reporting enforces national accountability, while KAP reporting ensures investor transparency(Hidayah et al., 2021).
Public Accountability Role	Guards public trust and ensures lawful use of national resources	Builds investor confidence and enables global co-investment	Dual oversight enhances institutional integrity internally and externally.
Frequency	Periodic or risk-based (can vary)	Annually (mandatory by law)	BPK offers strategic oversight; KAP ensures regular financial verification.
Applicable Standards	Government Auditing Standards (SPKN)	International Accounting Standards (e.g., IFRS)	KAP meets global investor requirements, while BPK ensures compliance with national legal standards.
Key Purpose	Enforce legal compliance and protect state interests	Ensure transparency, accuracy, and professionalism in financial reporting	Complementary roles: BPK = legal guardian, KAP = financial guardian.
Independence	Independent from executive; accountable to DPR	Independent from LPI but regulated by BPK and OJK	Both ensure impartiality, though under different mandates and accountability frameworks.
Complementary Role	Monitors use of public funds and investment alignment with national goals	Provides credibility to financial statements in global markets	Both are essential for balancing sovereign control and market confidence in LPI governance.

By learning from the governance failures in BUMN, Indonesia must proactively build transparency, integrity, and resilience into the operational structure of LPI. A strong oversight regime—rooted in legal obligation and institutional collaboration—is indispensable for protecting public wealth, deterring corruption, and upholding public confidence in one of the nation's most strategic financial instruments(Nasarudin, 2020).

Although the two institutions have different focuses and methodologies in auditing, they complement each other in ensuring that the management and use of state budgets, especially in entities such as SWFs, is carried out in a transparent and accountable manner. Therefore, both BPK and KAP are legally and functionally relevant, and their roles are complementary in maintaining the transparency, accountability, and credibility of Indonesia's Sovereign Wealth Fund.

Discussion

Comparison with Prior Research

The findings of this study align with a broad body of literature emphasizing the critical role of governance, transparency, and accountability in the management of Sovereign Wealth Funds (SWFs). Previous research by Kitano & Takaku (2023)(Kitano & Takaku, 2023) and Gunawan et al. (2024)(Gunawan et al., 2024) highlighted the macroeconomic benefits of SWFs in stabilizing state finances and managing resource wealth. This study supports those findings by demonstrating that Indonesia's LPI was established not only to mobilize capital but also to buffer against economic shocks through long-term investment strategies. Furthermore, this study reinforces the view of Černohorský & (Černohorský & Tesnerová, 2021) (2021) and Clark & Knight (2010) (Clark & Knight, 2010), who argue that depoliticized and professional fund governance is necessary for long-term sustainability. However, the present research contributes more concretely by applying this principle to Indonesia's legal context—particularly through the lens of dual audit mechanisms involving both BPK and KAP—a dimension rarely addressed in previous works.

Additionally, while prior international comparisons (e.g., Norway's GPFG and Singapore's Temasek Holdings) focused on managerial practices and transparency models, this research adds value by providing a legal-functional analysis specific to Indonesia, especially in interpreting the mandates of Article 161 of Law No. 6 of 2023. The integration of audit roles between the constitutional audit body (BPK) and independent Public Accounting Firms (KAP) in supervising LPI is shown to be not only legally justified but functionally essential—something not emphasized in earlier comparative research.

What differentiates this study is its synthesis of institutional accountability with empirical risk analysis, drawn from Indonesia's history of corruption in State-Owned Enterprises (BUMN). While previous studies mention theoretical risks of political interference, this study documents actual structural vulnerabilities—such

as the 212 corruption cases in BUMNs between 2016–2023—arguing that without strong oversight, LPI could face similar risks. This brings a new dimension to the discourse by highlighting lessons from domestic governance failures as a justification for robust dual-audit enforcement.

Limitations

Despite its comprehensive conceptual and normative framework, this study has several limitations. First, the research is qualitative and doctrinal in nature, relying heavily on legal texts, policy documents, and secondary literature. It does not include primary empirical data such as interviews with policymakers, audit professionals, or LPI management. As such, while the analysis is robust in legal reasoning, it lacks real-time stakeholder perspectives.

Second, while international comparisons were made (e.g., Norway and Singapore), the study does not provide quantifiable metrics of audit performance or governance outcomes, limiting its ability to statistically validate the superiority or deficiency of Indonesia's current mechanisms.

Third, although this study identifies dual auditing as ideal, it does not examine possible conflicts or overlaps in jurisdiction, methodology, or audit outcomes between BPK and KAP, which could arise in practice. These operational challenges—such as audit timing, independence, and coordination—remain unexplored due to research design. Lastly, the analysis is constrained to the legal framework as of 2023, and does not account for potential amendments, jurisprudence, or evolving regulations that could alter the current structure of LPI governance and audit mandates.

Future Research

Future research should consider conducting empirical studies that involve structured interviews or surveys with auditors, regulators (BPK, OJK), LPI board members, and civil society stakeholders. Such fieldwork could provide deeper insights into the actual implementation challenges and stakeholder perceptions regarding the dual-audit system.

It is also necessary to explore how the audit results from KAP and BPK interact in practice—whether they are used synergistically, whether discrepancies arise, and how they are resolved institutionally. A case study approach on LPI's annual audit cycles could provide meaningful data on the effectiveness of coordination between the two auditing entities.

Further, researchers could develop a comparative audit governance index or performance framework to benchmark Indonesia's SWF audit practices against those of Norway, Singapore, the UAE, and Chile. This could help policymakers assess whether Indonesia's structure remains competitive and trustworthy in the global investment environment. Lastly, future studies could examine the digitalization of audit and accountability mechanisms, such as the use of

blockchain, real-time reporting, or AI-driven risk analytics in SWF oversight—especially relevant to Indonesia's digital governance ambitions.

CONCLUSION

This reserach addresses the critical issue of accountability and oversight in the management of Indonesia's Sovereign Wealth Fund (SWF), formally known as the Lembaga Pengelola Investasi (LPI) or Indonesia Investment Authority (INA). The central problem examined is how to ensure that LPI, which manages public wealth derived from the State Budget (APBN) and other state assets, operates transparently, professionally, and free from political interference. The study emphasizes the urgency of establishing robust dual oversight mechanisms, particularly in light of Indonesia's prior governance failures in State-Owned Enterprises (BUMN), which saw over 200 corruption cases and trillions in losses from 2016 to 2023. To explore this issue, the study employs a qualitative, library-based research methodology, using a conceptual approach and a statutory approach.

The primary data sources include legal documents (e.g., Law No. 6 of 2023, Law No. 15 of 2006, Law No. 17 of 2003), academic publications, government reports, and international comparative studies on SWFs in Norway and Singapore. Analysis is conducted inductively, drawing general conclusions from the synthesis of normative and empirical materials. The findings reveal that dual audit mechanisms involving the Audit Board of Indonesia (BPK) and Public Accounting Firms (KAP) are both legally mandated and functionally complementary. BPK, as the constitutional body, ensures adherence to state finance laws and public accountability, while KAP provides internationally benchmarked audit credibility essential for investor trust. Comparative analysis with successful SWFs—Norway's GPFG and Singapore's Temasek Holdings—supports the conclusion that transparency, public oversight, and professional management are essential to long-term fund performance and legitimacy.

The implications of this study are significant. It provides a strong legal and institutional justification for implementing multi-layered oversight systems in Indonesia's SWF governance model. It also underscores the importance of learning from domestic governance failures (e.g., BUMN corruption) and adapting international best practices. Moreover, the study highlights the need for legal clarity, public engagement, and integration of ESG principles in fund management. This study makes a meaningful contribution by bridging legal theory, public finance governance, and comparative institutional analysis in the context of a developing country's SWF. It is among the first to systematically assess the dual-audit framework (BPK and KAP) within Indonesia's evolving legal landscape and to propose it as a safeguard against corruption, a catalyst for transparency, and a pillar of sustainable investment governance.

Recommendations

a. Institutionalize Dual-Audit Mechanisms for LPI Oversight
   The Indonesian government should formally and consistently implement a dual-audit framework involving both the Audit Board of Indonesia (BPK) and registered Public Accounting Firms (KAP) as mandated by Law No. 6 of 2023. This layered oversight model will enhance financial transparency, reduce the risk of mismanagement, and build trust among stakeholders.
b. Clarify the Division of Roles Between BPK and KAP
   A clear operational framework should be established to delineate the scope, authority, and audit procedures of BPK and KAP in supervising LPI. This will help avoid jurisdictional overlaps, ensure coordination, and increase audit effectiveness without compromising the independence of either body.
c. Adopt International Best Practices from Leading SWFs
   LPI should benchmark its governance and audit standards against successful SWFs such as Norway's GPFG and Singapore's Temasek Holdings. This includes adhering to the Santiago Principles, publishing detailed annual reports, incorporating ESG criteria, and promoting public engagement in governance decisions.

REFERENCES

Affuso, E., Istiak, K., & Sharland, A. (2022). Sovereign Wealth Funds and Economic Growth. *Journal of Asset Management*. https://doi.org/10.1057/s41260-022-00260-6

Ainina, F., & Mohan, N. (2010). Sovereign Wealth Funds: Investment and Governance Practices. *Journal of Asia-Pacific Business*. https://doi.org/10.1080/10599231.2010.520642

Arliman S, L. (2018). Peranan Metodologi Penelitian Hukum di Dalam Perkembangan Ilmu Hukum di Indonesia. *Soumatera Law Review*, *1*(1), 112. https://doi.org/10.22216/SOUMLAW.V1I1.3346

Atikah, I. (2022). *Metode Penelitian Hukum* (Zulfa & Nita (eds.); I). CV Haura Utama.

Bahoo, S., Alon, I., & Paltrinieri, A. (2020). Sovereign wealth funds: Past, present and future. *International Review of Financial Analysis*, *67*. https://doi.org/10.1016/J.IRFA.2019.101418

Balin, B. J. (2010). The Impact of the Global Economic Crisis on Sovereign Wealth Funds. *Asian-Pacific Economic Literature*. https://doi.org/10.1111/j.1467-8411.2010.01246.x

Bernstein, S., Lerner, J., & Schoar, A. (2013). The Investment Strategies of Sovereign Wealth Funds. *Journal of Economic Perspectives*, *27*(2), 219–238. https://doi.org/10.1257/JEP.27.2.219

Bonaventura Altuve, L. Di. (2023). The Demise of Sovereign Wealth Funds. *Review of International Political Economy*. https://doi.org/10.1080/09692290.2023.2190601

Bonini, S., & Capizzi, V. (2019). The role of venture capital in the emerging entrepreneurial finance ecosystem: future threats and opportunities. *Venture Capital*, *21*(2–3), 137–175. https://doi.org/10.1080/13691066.2019.1608697

Bortolotti, B., Fotak, V., Megginson, W. L., Miracky, W. F., & Partner. (2011). Quiet Leviathans: Sovereign Wealth Fund Investment, Passivity, and the Value of the Firm. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1787191

Budianto, A. (2022). Legal Research Methodology Reposition in Research on Social Science. *International Journal of Criminology and Sociology*, *9*, 1339–1346. https://doi.org/10.6000/1929-4409.2020.09.154)

Budiman, M. A., & Amyar, F. (2021). The effect of audit opinions, implementation of audit recommendations, and findings of state losses on corruption levels in the ministries and institutions of the Republic of Indonesia. *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, *7*(1), 113–129. https://doi.org/10.28986/jtaken.v7i1.471

Caner, M., & Grennes, T. (2010). Sovereign wealth funds: The Norwegian Experience. *World Economy*, *33*(4), 597–614. https://doi.org/10.1111/J.1467-9701.2009.01235.X

Cavagnetto, S., Makarenko, I., Brož, V., Rivera, L., & Filatova, H. (2022). The sustainability transparency index of sovereign wealth funds: their asset size, SDG country rankings and cross-region comparison. *Investment Management and Financial Innovations*, *19*(4), 218–231. https://doi.org/10.21511/imfi.19(4).2022.18

Černohorský, J., & Tesnerová, K. (2021). The Importance and Perspectives of Sovereign Wealth Funds in the Globalised Economy. *SHS Web of Conferences*. https://doi.org/10.1051/shsconf/20219203006

Clark, G. L., & Knight, E. (2010). Temptation and the Virtues of Long-Term Commitment: The Governance of Sovereign Wealth Fund Investment. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1669281

Clarke, W. (2016). Sovereign Patent Funds: Sovereign Wealth Funds 2.0? *Global Policy*, *7*. https://doi.org/10.1111/1758-5899.12353

Gunawan, F. I., Dini, A. A., & Sugarda, P. P. (2024). Sovereign Wealth Fund Development in Indonesia: Lessons Learned From Norway and Singapore. *Yustisia Jurnal Hukum*. https://doi.org/10.20961/yustisia.v13i1.80717

Halim, J. A. (2021). Indonesia's New Sovereign Wealth Fund: When Strategic Development Converges With Stabilization. *The Lawpreneurship Journal*. https://doi.org/10.21632/tlj.1.1.1-29

HAMONANGAN al., R. I. (2023). Analysis of Factors in Implementing Risk-Based Performance Audits That Affect Firm Value. *Russian Law Journal*. https://doi.org/10.52783/rlj.v11i5s.887

Heaney, R., Li, L., & Valencia, V. (2011). Sovereign wealth fund investment decisions: Temasek holdings. *Australian Journal of Management*, *36*(1), 109–120. https://doi.org/10.1177/0312896210388859

Hidayah, R., Darmawan, W., Suryarini, T., Suryandari, D., & Rahayu, R. (2021). *The Effect of the Size of Public Accounting Firms (KAP) and Specialist Auditors on Audit Quality With the Audit Committee as a Moderating Variable*. https://doi.org/10.4108/eai.22-7-2020.2307931

ICW, R. (2025, May). *Pasca UU BUMN Terbaru, Korupsi di Perusahaan Pelat Merah Akan Semakin Menjamur! | ICW*. Indonesia Corruption Watch.

Johannes, R. (2020). *Kewenangan Khusus Lembaga Pengelola Investasi (LPI)untuk Pengelolaan Investasi Pemerintah Pusatsebagaimana Dimaksud dalam UU No. 11/ 2020 tentang Cipta Kerja*.

Kaldera, N. X., Aulia, M., & Faza, H. A. (2020). Peran Bpk Sebagai Lembaga Pengawas Eksternal Pengelolaan Keuangan Negara. *Jurnal Fundamental Justice*, *1*(2), 13–26. https://doi.org/10.30812/fundamental.v1i2.898

Kitano, S., & Takaku, K. (2023). Effect of Sovereign Wealth Funds in Commodity-exporting Economies When Commodity Prices Affect Interest Spreads. *Asian Economic Journal*. https://doi.org/10.1111/asej.12305

Lenihan, A. T. (2014). Sovereign Wealth Funds and the Acquisition of Power. *New Political Economy*, *19*(2), 227–257. https://doi.org/10.1080/13563467.2013.779650

Michael, T., & Sudini, L. P. (2021). Authority of Indonesia Investment Authority (INA) in Optimizing SOE Assets in Indonesia. *Proceedings of the 2nd International Conference on Business Law and Local Wisdom in Tourism (ICBLT 2021)*, *605*(Icblt), 132–137. https://www.atlantis-press.com/proceedings/icblt-21/125965323

Monk, A. H. B. (2011). Sovereignty in the era of global capitalism: The rise of sovereign wealth funds and the power of finance. *Environment and Planning A*, *43*(8), 1813–1832. https://doi.org/10.1068/A43326

Muhammad, A. (2004). Hukum dan Penelitian Hukum. *Fiat Justisia Jurnal Ilmu Hukum*, *8*(1), 134.

Nasarudin, T. M. (2020). KEDUDUKAN BADAN PEMERIKSA KEUANGAN (BPK) SEBAGAI LEMBAGA NEGARA DI BIDANG PENGAWASAN KEUANGAN NEGARA. *Justicia Sains: Jurnal Ilmu Hukum*, *5*(1), 78–92. https://doi.org/10.24967/JCS.V5I1.482

Peningkatan, E., Melalui, I. I., Lembaga, P., Investasi, P., Rahayu, K., Praptono, E., & Rizkianto, K. (2022). Ekspektasi Peningkatan Iklim Investasi Melalui Pembentukan Lembaga Pengelola Investasi. *Diktum: Jurnal Ilmu Hukum*, *10*(2), 147–163. https://doi.org/10.24905/DIKTUM.V10I2.104

Pradana Adiputra, I. M., Utama, S., & Rossieta, H. (2018). Transparency of Local Government in Indonesia. *Asian Journal of Accounting Research*. https://doi.org/10.1108/ajar-07-2018-0019

Putra, A. K., & Sugimin, S. (2024). The Limited Scope of BPK Audit and Comparison With Other Supreme Audit Institutions. *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*. https://doi.org/10.28986/jtaken.v10i1.1389

Sakinah Damanik, V. H., & Widiastuti, Y. (2024). The Influence of Audit Opinions and BPK Audit Findings on Performance North Sumatra High Prosecutor's Office. *Proceeding of the International Seminar on Business Economics Social Science and Technology (Isbest)*. https://doi.org/10.33830/isbest.v4i1.3368

Setyaningrum, D., Gani, L., Martani, D., & Kuntadi, C. (2013). The Effect of Auditor Quality on the Follow-Up of Audit Recommendation. *International Research Journal of Business Studies*. https://doi.org/10.21632/irjbs.6.2.89-104

Truman, E. M. (2009). A Blueprint for Sovereign Wealth Fund Best Practices. *Revue d'économie Financière (English Ed.)*, *9*(1), 429–451. https://doi.org/10.3406/ecofi.2009.5526

Velayutham, S., & Hasan, R. (2021). Sovereign Wealth Funds and Corporate Social Responsibility: A Comparison of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development. *Public Administration and Policy an Asia-Pacific Journal*. https://doi.org/10.1108/pap-08-2020-0037

Warih, D. P. (2018). Authority of the Audit Board of the Republic of Indonesia in Examining Regional Government Performance. *Indonesian State Law Review (Islrev)*. https://doi.org/10.15294/islrev.v1i1.26940

Wijaya, A. T., & Azmy, A. (2023). Andragogy in Ethics Education for Auditors. *International Journal of Multicultural and Multireligious Understanding*. https://doi.org/10.18415/ijmmu.v10i11.5370